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How Jobber Digs in with C-Stores, Brand Identity
Jobber Offers Free Heating Oil to Gulf Spouses
Kyodo, Arco: Marriage Made in Heaven?

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National Petroleum News

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Classified Sales
Elizabeth Santelli

Special Projects Coordinator
Edward R. Pompadur

Regional News Offices:
East: J. Richard Shaner, P.O. Box 1476, Morristown, NJ 07962-1476. (201) 428-2902
Midwest: Steve Dwyer, 950 Lee St., Des Plaines, IL 60016. (708) 296-0770
South: Angel Abcede, 950 Lee St., Des Plaines, IL 60016. (708) 296-0770
West: Mark Emond, P.O. Box 8130, Anaheim, CA 92812-0130. (714) 774-5598

Editor's Viewpoint

Editors generally take a lot of pride in every issue they produce. Most look forward to putting a long, complicated issue to bed, but then can't wait until that issue is printed. This April issue of *National Petroleum News* is no exception; it's one that the entire staff is pretty darn proud of. I know I am.

Why? Well, this time out, just about the entire *NPN* editorial staff took a collective plunge into the murky waters of a subject that has bewildered and frustrated just about every serious observer in the industry at some point. The subject: How many retail gasoline outlets are there in the United States.

To find the answer, *NPN* staffers, including editors and reporters, spent many hours making call after call to every state in the Union (and repeat calls to many states) to track down the number of retail outlets where consumers can purchase gasoline. We plowed through the corridors of those states' governmental departments and agencies, seeking a reliable source that could produce a precise, or at least credible, number of the state's retail outlets.

You can read the results of this research effort beginning on page 26. Unlike the much more limited U.S. Census Bureau figures, our counting procedure includes conventional "service stations," C-stores, unattended outlets, truckstops, car washes, garages, etc., anywhere that gasoline is sold to the motoring public.

As you know, this subject has sparked much controversy and debate within the petroleum industry. Many so-called "authorities" have conducted studies and made estimates, most of which have little reference to the realities of the marketplace. The various service station population counts have fluctuated from as high as 226,000 to a unimaginable low of 96,000. The Census Bureau itself has added to the confusion by altering its tabulations (about 10 years ago) to include only an arbitrary number of "pure" gasoline stations. Partly as a result of all this confusion, we've been hearing harrowing tales about how the service station population is "dying," that the attrition will get worse, that motorists everywhere will have problems finding a place to get their tanks filled.

Now, however, the doomsayers might want to rethink their evaluations of the service station market. We did. And we're convinced that we have come up with the most accurate figures available anywhere. We don't claim that these figures are precise down to the last pump—nobody has that data—but our counting procedure provides marketers with a comparable and much more accurate universe figure than the guesswork and stumbling about that have been commonplace in recent years.

From now on this research effort will be an annual exercise for *NPN*. We are determined to provide, as we hope we already do, our readers with the best in-depth research and statistics available.

While I'm sure there will be some who question our figures, we are confident that this data, now and each successive year we conduct this survey, will provide an accurate picture of our service station market.

We will make *NPN* the leader in providing the most accurate station count possible. And that's a guarantee you can take to the bank. —*Peggy Smedley*

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NPN's comprehensive new survey shows that the retail gasoline outlet universe is above 200,000, not far below the old peak of around 226,000 set in 1972. The new figures put the old surveys in perspective and set the stage for a new annual survey.

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Changing brands, diversifying into C-stores and investing in new personnel has enabled Alabama jobber Jim McGuire to position himself for stability now and growth in the future.

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Reading, Pa.-based Berks Products Corp. has shown its support for service personnel serving in the Persian Gulf by donating heating oil to military spouses on the home front.

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• TRENDS

Jobbers Foresee Short-Term Squeeze

Despite the end of the Persian Gulf war, marketers predict a squeeze on margins in the spring, as competition for recession-conscious consumers brings street prices down faster than wholesale costs.

Marketers around the country have reported 10% decreases in volume during the winter months, with sharp drops in the purchase of midgrade and super unleaded gasolines. "It seems like people just stopped buying super unleaded altogether, preferring that ping in their engines over higher prices," says a jobber in Jackson, Miss.

Government forecasts say the economic downturn is likely to slow energy consumption, despite low oil prices. An Energy Information Administration (EIA) report says an economic recession has slowed growth since at least the fourth quarter of 1990. Average growth in the U.S. economy is expected to be slightly negative in 1991, and declines or substantial slowing of growth for most energy products are expected in 1991, the report says.

The EIA report forecast a continuing slide in motor gasoline demand for the year, a prediction that follows an estimated 1.6% decline in 1990. Part of the reason lies in slow economic growth, which translated into slowing highway travel activity. A jobber in Paris, Texas, confirms this analysis by reporting declines in volume due to slowing construction work in his area. His stations are heavily dependent on construction vehicles, and when building is down, so are his volumes.

Vehicle miles traveled are estimated by the EIA study to have risen only by 2.2% last year, the smallest increase in eight years and only half the growth rate of 1989.

The report also showed shrinking consumption of premium grade gasolines. Premium's share of the market, which claimed 22% prior to the invasion, had shrunk to only 15% by October, the smallest share for that grade since 1985, the report says. Unleaded's share of the market, which stood at 63% in July, increased to a record 71% by October.

With the recession putting the brakes on demand, jobbers were seeing increased competition on the street. A recent drive through the metropolitan area of Memphis put street postings at branded locations between $1.11-$1.12. But independents were pricing at about $1.09, with one West Memphis truckstop pricing gasoline at $1.05—6¢ below branded competition.

Since the incidents in late fall of high wholesale prices amidst low direct-op street postings, margins have been steady, jobbers report.

A Rock Island, Ill., jobber says there were no drastic changes in the Quad Cities market in the week following the U.S.-announced cease fire. The jobber says that retail and wholesale gasoline prices have either been holding steady or showing a slight decline when the U.S. launched its ground war in late February. When the cease fire was announced, it was more of the same. The marketer says the market showed none of the volatility that it did last August.

A rural marketer in Colby, Kan., attributed slight price changes in his area following the war not to the war itself, but to conversions being made at local refineries.

Other markets have seen a different scenario since the end of the gulf war. Marketers in Memphis, for instance, have seen margins squeezed by rising competition. According to one Memphis jobber, wholesale prices are staying high while street prices are dropping.

"Competition in Memphis has always been tough," says the Memphis marketer. "There's a lot of supply out there and everybody's volumes are down. I don't see [the situation] ending until April or May."

All this comes amid forecasts of lower oil prices. The EIA report predicted that falling demand, combined with more than adequate inventories worldwide, are promoting the expectation of continued low prices, especially as the Gulf crisis abates. The expectation was reinforced, the report says, by the sales of strategic oil reserves. Marketers in early March say they have yet to feel the affect of low oil prices at the rack.

Jobbers see the margin squeeze as short term, however, when the summer driving season and low oil prices will begin to affect the marketplace. *—By Angel Abcede*

• MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (per gal.)

JANUARY	Gasoline (All types)	Leaded Regular	Unleaded Regular	Unleaded Premium
U.S. City Avg.	$1.304	$1.246	$1.247	$1.431
Regions				
Northeast	1.373	1.519	1.299	1.495
North Central	1.252	1.223	1.211	1.385
South	1.297	1.244	1.227	1.410
West	1.312	1.248	1.277	1.444

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

STOCKS (Add 000 bbl.)

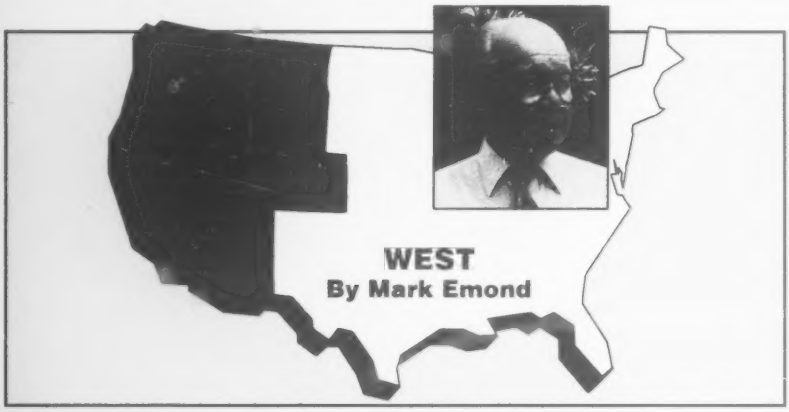
	3/1/91	3/2/90
Gasoline (Total)	222,576	246,393
Gasoline (Unleaded)*	172,632	187,038
Jet Kerosine	42,591	39,870
Distillates	103,258	114,401
Residual	46,014	49,900

**Included in gasoline total.*
Source: American Petroleum Institute.

Kent has said in the past that he dropped the Kent name for his quick lubes in favor of Avis to make expansion into new markets smoother through name recognition.

Currently, Kent Lubrications operates 15 Avis Lube franchise locations in West Texas. The two new locations in Phoenix represent initial entry into that market for both Kent and Avis.

"We feel that this expansion is a logical outgrowth of our existing Avis Lube operations," Kent says. "Phoenix provides demographics well-suited to the success of fast oil change operations." NPN



How Higher Oil Prices Affect States, Companies, Consumers

Higher oil prices became traumatic after Iraq invaded Kuwait last August, adding urgency to the question of who benefits or gets hurt the most. Looking at it from the Western point of view, it probably is no surprise that the state of Alaska benefits, but it might be less obvious that consumers in Hawaii especially get hurt.

What about importers, exporters, producers, consumers? What about consumers of gasoline, heating oil, aviation fuel, residual? Each is a different case, and it also matters what states they're in.

These and other questions related to higher oil prices were studied by two economists of the Federal Reserve Bank's 12th district, Ronald H. Schmidt and Carolyn Sherwood-Call. Their results were published in a weekly letter of the Federal Reserve Bank of San Francisco. (The 12th district comprises nine Western states—Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Utah and Washington.)

Here are extensive excerpts and conclusions:

An area that produces more oil than it consumes stands to gain when crude prices rise. Of the district's states, only Alaska exports more than it imports (net exporter). It produced 738-million bbl. in 1988 while consuming only 43-million bbl. of oil products.

States that import more than they export (net importers) are hurt by higher oil prices, and the degree is determined by how dependent they are on imports. In the Western states, excluding Alaska, each person consumed an average of 14.9 bbl. of oil products, 1.5 bbl. above the average for the nation, hence they were hurt that much more by higher oil prices than people in the nation as a whole.

California had below-average net imports of 9.2 bbl. per person, while other states had net imports ranging from 19 bbl. per person in Arizona to 39 bbl. per person in Hawaii. The more net imports, the more higher prices hurt.

How do higher oil prices affect oil wealth? They provide windfall gains for oil producers, but the consequences are not the same for companies as for states.

Although higher oil prices might appear to benefit a region that produces a lot of oil, it isn't necessarily so. If oil profits remain in the region, they benefit the region, otherwise not.

Therefore, since Alaska and California production is dominated by major oil companies, which are owned by shareholders, higher earnings and dividends are distributed nationally and even internationally. Oil profits are not concentrated in the region unless shareholders are.

In Alaska, some of the wealth is kept there. A $1 bbl. increase in oil prices raises $150-million in annual oil revenues for the state.

The effects of higher prices on the region's consumers is another matter. Obviously, if you consume more, you bear more of the burden of higher prices. The effects also depend on how much you consume of what products.

In the case of motor gasoline, the per capita consumption in the West as a whole is almost identical to the national average. Thus the effect of higher gasoline prices is about the same in the West, on average, as in the rest of the country.

Gasoline consumption ranged from 7 bbl. per person in Hawaii to 14 bbl. per person in Nevada, but most Western states were close to the 11.5 bbl. national average. California, the largest user of gasoline in the region, consumed 11.3 bbl. per person in 1988.

Distillate consumption in the West was below the national average of 5 bbl. per person, although a very large variation exists among the states. In Idaho, Oregon, Nevada and Washington, consumption was high, ranging from 5 to 7 bbl. per person, but it was nothing like the 17 bbl. per person in Alaska.

The other states in the West rely less on distillate than does the rest of the country, on average.

In aviation fuel, Western consumption exceeded 3 bbl. per person in 1988, more than a bbl. per person higher than the national average, because of longer average travel distances. Alaska consumed 30 bbl. per person, Hawaii 9 bbl. and Nevada 4.6 bbl.

Although residual fuel oil is less important than gasoline, distillates and aviation fuel, it is very important in Alaska and Hawaii because of the substantially greater resid consumption there. Hawaii is particularly affected because residual fuel is used to generate electricity. This makes people in Hawaii especially vulnerable to higher oil prices.

The Federal Reserve Bank economists, Schmidt and Sherwood-Call, summarize that when oil prices rise, there are winners and losers, as we have seen, but who they are is governed by many factors.

Except for the government of Alaska, the winners are not concentrated in any particular state or states. Higher oil revenues of major oil companies are distributed across the nation to owners of oil stocks. The effect of higher oil prices on Western consumers is much the same as it is on consumers in the rest of the nation.

Per Capita Consumption of Oil in Western States, 1988

(bbl.)

All	Oil	Gasoline	Distillates
Alaska	81.3	10.5	16.7
Arizona	19.4	11.3	2.6
California	22.8	11.3	3.0
Hawaii	39.0	7.5	3.1
Idaho	19.8	10.7	5.2
Nevada	30.4	13.9	6.3
Oregon	24.0	11.5	6.0
Utah	23.8	11.5	4.6
Washington	28.1	11.6	5.2
Nine States	24.4	11.3	3.8
U.S.	25.5	11.5	5.0

Source: Federal Reserve Bank of San Francisco.
Data for Twelfth Federal Reserve District.

Self-Serve Preference Still Growing

United States motorists continue to choose self service by a wide margin over full service when purchasing gasoline, according to Amoco Oil Co. marketing research. Since 1975, self service gasoline sales have grown dramatically, from 22% to 81% in 1989.

Last year was no different. The market share for self-serve last year bumped up another two percentage points to 83% over 1989. The growth curve has leveled off in the past couple of years, but the data shows that almost five out of six Americans now prefer self serve.

Percent Self-Serve Motorist Gasoline Sold by Brand—Total 1989 versus Total 1990—Total U.S.

Brand	1989	1990	Chg.
Arco	92	91	- 1
Phillips	88	88	NC
Conoco	86	87	+ 1
Citgo	88	88	NC
Shell	85	86	+ 1
Union	84	85	+ 1
Amoco	82	83	+ 1
Sohio/BP	82	81	- 1
Texaco	79	80	+ 1
Chevron	78	79	+ 1
Exxon	78	79	+ 1
Mobil	75	76	+ 1
Sunoco	59	62	+ 3
Independents	87	87	NC
Industry	81	83	+ 2

Self-Serve Motorist Gasoline Market Share by State (Percent) Total 1989 versus Total 1990

	1989	1990	Chg.
Alabama	83	85	+ 2
Arizona	94	95	+ 1
Arkansas	85	87	+ 2
California	92	93	+ 1
Colorado	94	95	+ 1
Connecticut	74	77	+ 3
Delaware	86	88	+ 2
D.C.	87	89	+ 2
Florida	92	94	+ 2
Georgia	89	91	+ 2
Idaho	90	91	+ 1
Illinois	90	91	+ 1
Indiana	88	89	+ 1
Iowa	85	87	+ 2
Kansas	94	97	+ 3
Kentucky	80	83	+ 3
Louisiana	91	93	+ 2
Maine	57	62	+ 5
Maryland	87	89	+ 2
Massachusetts	85	57	+ 4
Michigan	89	90	+ 1
Minnesota	84	86	+ 2
Mississippi	83	86	+ 3
Missouri	85	88	+ 3
Montana	91	92	+ 1
Nebraska	82	83	+ 1
Nevada	94	94	NC
New Hampshire	68	71	+ 3
New Mexico	92	92	NC
New York	60	63	+ 3
North Carolina	89	91	+ 2
North Dakota	81	84	+ 3
Ohio	87	88	+ 1
Oklahoma	86	89	+ 3
Pennsylvania	68	71	+ 3
Rhode Island	69	71	+ 2
South Carolina	90	91	+ 1
South Dakota	80	83	+ 3
Tennessee	85	87	+ 2
Texas	92	93	+ 1
Utah	95	96	+ 1
Vermont	62	61	- 1
Virginia	90	91	+ 1
Washington	92	94	+ 2
West Virginia	78	81	+ 3
Wisconsin	90	92	+ 2
Wyoming	85	87	+ 2

Conoco Details New Image Package

To "encourage support and continued growth of the Conoco brand," the Houston-based company has rolled out an updated marketing and image program for its jobbers. They are responding favorably to the new plan.

Among the program's improvements:

- Accrual programs allowing jobbers to lift as little as 90% or as much as 120% of contract volume as long as 100% of quarterly contract volumes are lifted.
- Image improvement funds that will accrue quarterly with 100% quarterly contract liftings.
- Paint programs. Conoco will continue to supply paint from its parent company Du Pont free of charge, and will pay 50% of painting costs if jobbers use Conoco-approved contractors.
- Credit cards. The elimination of the 3% credit card fee, introduction of a new fleet card and a national pre-approved card solicitation program.
- Electronic point-of-sale. Conoco will require its Conoco Credit Express in all retail outlets by June of next year. The company will also reduce bank card fees.

Jobbers have responded positively to the program improvements, saying that new image incentives increase their ability to stay competitive.

Tim Ramsey of Tex-Con Oil Co. out of Austin, Texas, says the new package will be a big help to Conoco jobbers looking to upgrade their stations.

"I strongly feel if we hadn't improved our image we would have lost market share. I don't know that we gained, but [upgrading] was more of a defensive move than an offensive one."

Don Robinson of Minute Stop Inc. in Bay Minette, Ala., observes little or no change in what he calls "bottom line dollars," but explains that the programs will speed up the time it takes to obtain his rebates.

Marketers Fear Onboard Canister Rejection

Marketers around the country are becoming increasingly worried that the Dept. of Transportation (DOT) might pull the plug on onboard canisters as a potential alternative to Stage II vapor recovery equipment [*NPN*—Mar. '91, p7].

Another concern of marketers is that DOT might approve the canisters, but require Stage II implementation as an interim measure in "moderate" ozone nonattainment areas. Marketers in those areas had been hoping the canisters would be approved instead of Stage II, saving them the trouble of installing expensive equipment only to have to remove it when it is no longer required.

In the Midwest, the moderate nonattainment areas include metropolitan Detroit, Louisville and Cincinnati.

Jeff Burgoon, vice president of Fisher Fuels, Inc. near Detroit, says his "temperature rose 10° just thinking about [the rejection of the canisters]." He believes that canisters are basically "goof proof," that they take out the human factor that makes Stage II nozzles so fallible. It is easier to upgrade cars on the assembly line than it is to force customers to learn how to use new equipment, he says.

Fisher Fuels, mostly a heating oil business, operates only one gasoline station. If he is "forced into it," Burgoon says he will install the Stage II equipment, but he will feel lucky if he can get away with a $35,000 price tag.

The reaction of John Spears III, general manager of gasoline operations for Garb-Co., Inc. of Louisville, is one of "keen disappointment."

"We are reaching a point where common sense has taken a vacation. No one wants dirty air. No one wants to pollute the air. No one wants to do the wrong thing," but the government must put things in perspective, he says. Although he reads all that he can on the subject, Spears says he knows of no studies that show effective gains in air cleanliness as a result of the implementation of Stage II.

In the West, the moderate ozone nonattainment areas include metropolitan Salt Lake City.

Noel Cook of Salt Lake's Tri-Valley Distributing says a decision against onboard canisters "would take its toll. Some jobbers won't be able to recover. Some people have put their life savings into renovating their stations. They can't take another hit" such as being forced to install Stage II equipment. However, Cook sees no choice but to comply with any such requirement.

Gray, Gray and More Gray, That's What Feds See for '91

Federal energy experts are detached but hardly sanguine about the oil industry's outlook for the balance of 1991.

Their latest short-term forecast says that the only things that are going to increase in the petroleum business over the next six to nine month are crude oil imports and distillate consumption, and really not enough of an increase in either category to merit special attention.

The government forecasters normally use three scenarios for their projections: high, low and medium and follow through by focusing on the middle line as their so-called "base" forecast. This time around, however, they used the low line—$20 bbl. crude instead of the median $25 bbl. separating the $20 and $30 bbl. lines.

In other words, they didn't believe—in late January, at least, when this forecast was sent to the printer—that imported crude oil will command much better than $20 bbl. in all of 1991. Although it doesn't say it in so many words, this implies that they do not anticipate any kind of a price spike in 1991. Last fall, in the wake of the Iraqi invasion of Kuwait, crude prices skyrocketed to $39 bbl. even though there were oil surpluses all over the world.

Pump prices for gasoline (all grades and services, including taxes) are expected to average $1.24 gal. this summer and to decline to $1.14 gal. by the fourth quarter. Unleaded regular pump prices slipped below the $1 gal. level in mid-to-late February in many marketplaces.

Product supplies are expected to be adequate all the way around.

"Absent any additional disruption to production and transportation facilities in the Persian Gulf there is market pressure for continued low oil prices," the government experts said.

"Falling demand, combined with more than adequate inventories worldwide, are promoting the expectation of continued low oil prices, especially if the gulf crisis abates."

Focusing on the U.S. economy, the latest energy forecast said:

"An economic recession has been slowing growth in energy demand since at least the fourth quarter of 1990. Average growth in the U. S. economy is expected to be slightly negative in 1991, and declines or substantial slowing of growth for most energy products are expected this year, especially if energy prices remain at or above the levels of late January."

Nothing to Get Excited About, Say the Feds

	4th Qtr. 1990	1st Qtr. 1991	2nd Qtr. 1991	3rd Qtr. 1991	4th Qtr. 1991	Full Year 1990	Full Year 1991
			Assumptions ($ per bbl.)				
Crude Imports	$29.15	$20.00	$20.00	$20.00	$20.00	$21.75	$20.00
			Forecasts ($ per gal.)				
'Gas' Retail	$1.45	$1.25	$1.25	$1.24	$1.14	$1.22	$1.22
Heating Oil	1.34	$1.11	$1.02	$0.95	$1.01	$1.07	$1.04
			Product Supplied (million b/d)				
Gasoline	7.13	6.94	7.10	7.26	7.23	7.21	7.13
Distillate	3.06	3.46	2.83	2.77	3.24	3.05	3.07
Residual	1.08	1.33	1.02	1.01	1.33	1.22	1.17
Total *	16.87	17.06	16.13	16.59	17.38	16.96	16.79
Net Imports	5.92	6.96	7.16	7.37	7.62	7.17	7.28

(*) Total includes jet fuel and all other products.
Source: EIA, Short-Term Energy Outlook, January 1991.

Dealers Lose Case Against Mobil on Lease Provisions

A U.S. District Court in Florida recently granted summary judgment and dismissed the claims of three Florida dealers who had challenged Mobil Oil Corp.'s franchise agreement, alleging the agreement violated the federal Petroleum Marketing Practices Act (PMPA) as well as the full faith and fair dealer provisions of the broader Uniform Commercial Code.

The three dealers—Darby Corwin and Jim Francis, D.J. Service of Tampa Bay and David Reed, Tyrone Gulf Care, St. Petersburg—were unhappy with the franchise agreement they were given after Mobil acquired their stations as part of a 50-station buyout from BP America. The dealers objected that Mobil's lease provisions covering such items as hours of operation, rents, minimum gallonage, assignment and survivorship were not reasonable or material to the franchise. They complained, too, that they were offered the agreement on a "take it or leave it" without the chance to negotiate.

However, the court rejected the dealer complaint, noting that Mobil had not terminated or nonrenewed the contracts as required for the filing of a PMPA action. The court also ruled that Mobil had not violated any state law requirement of good faith and fair dealing and that the dealers' challenge to the terms of the company's franchise agreement was either unsupported by the evidence or "premature." In particular, the court described the attack on Mobil's assignment and survivorship provisions as premature.

The dealers' attorney, Rick Farrell, Farrell and Barr, Raleigh, N.C., says there's a "good likelihood" the court's ruling will be appealed to the 11th Circuit Court of Appeals in Atlanta.

Robert J. McCool, Mobil's vice president of U.S. marketing, said, "We are extremely pleased with this decision, which further confirms Mobil marketing practices to be both legal and fair."

Major Oil Companies Join Florida Used-Oil Program

After a year of participating in Florida's used-oil collection program, BP America reported 117 of its participating dealers collected nearly 10,000 gal. of oil. BP's Gulf division was the first major oil company to pledge its support for the Florida program, beginning in August 1989. (For a report on used-oil programs nationwide, [*NPN*—Feb. '91, p35].)

Other majors joining the program were Mobil, Amoco and Texaco.

Mobil started with 150 company-operated stations, and was actively encouraging its lessee dealers to sign up. The company ran television advertising on the importance of used-oil recycling.

As Amoco dealers joined the campaign, the company ran ads in major metropolitan newspapers listing participating dealers.

Texaco encouraged its 120 Florida retailers with oil-change capabilities to accept used oil from the public. In some of its television commercials, it included a message on the importance of used-oil recycling. Stations that had televisions monitors at the islands ran 30-second commercials on the subject. Delivery trucks carried signs promoting used-oil recycling.

An NPN Exclusive

Counting Procedure Shows How Retail Outlet Population Is Greater than Suspected

By Richard J. Shaner
Executive Editor
and *NPN* Staff

A comprehensive, up-to-the-minute survey conducted by *National Petroleum News* indicates that the retail gasoline outlet population currently exceeds 200,000 and may have stabilized, after years of retrenchment, within hailing distance of the old peak set in 1972.

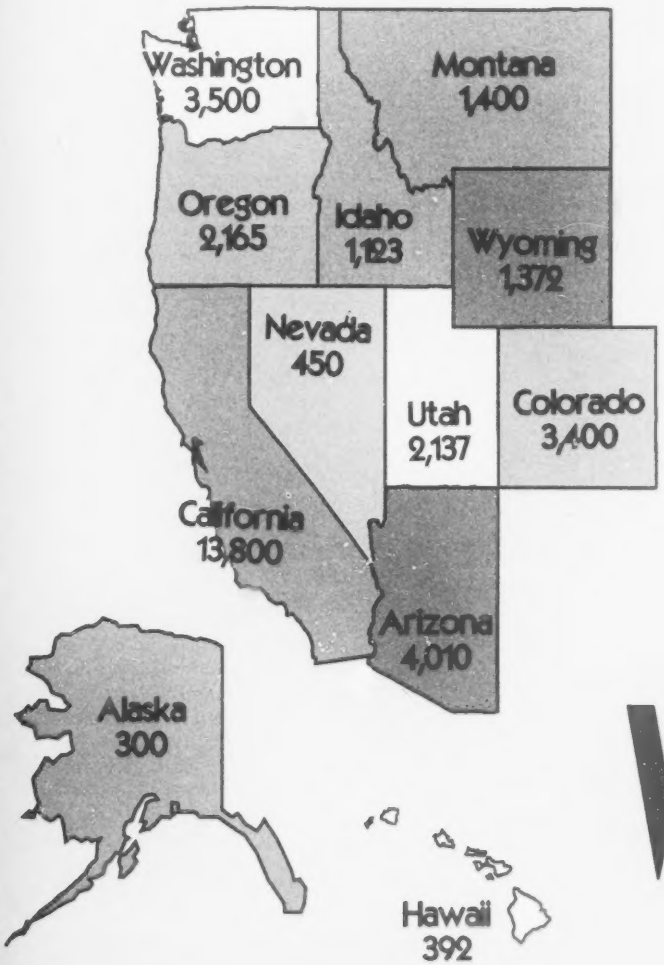
Simply stated, the new counting concept focuses on the number of places where motorists can buy gasoline for their vehicles at retail pumps. It includes conventional "service stations," convenience stores, unattended outlets, truckstops, car washes, garages, etc., anywhere and everywhere that gasoline is sold to the public.

It provides marketers with a comparable and much more confirmable universe figure rather than the hodgepodge of guesses that have been commonplace in recent years.

It's quite probable that when a new survey is made by *NPN* early next year, the gap between the 1991 count and the 1972 record will have narrowed considerably and may be just a memory. Right now, it's relatively close. *NPN's* 1991 population total is 210,120 compared with 1972's 226,459. This is only about 16,000 below the old high water mark.

This, in itself, is surprising because the general feeling has been that the number of places where motorists can purchase gasoline has been on a frightening downhill ski ride for 15-20 years. There is no question that thousands of retail stations have gone belly-up in the last decade or so, forced out by the economics of staying alive or by being displaced and gobbled up by big stations that absorbed the efforts of several smaller ones in given neighborhoods. Environmental requirements, including underground storage tanks, insurance and Stage II requirements were particularly troublesome in 1989 and 1990.

But many of these losses have been made up by the expansion of convenience



WEST

Pump Prices Reflect Growth And Turmoil

A half-century ago, retail gasoline taxes—federal and state—cost consumers less than .06¢ gal. Even with them, pump prices for regular ran only 18¢ gal. Today, federal and state tax averages are in the 30¢ gal. range and pump prices (regular grade) in 1990 averaged $1.15 gal. for the year and hit as high as $1.40 gal. in the final quarter.)

Here's an overview for the past 50 years. It must be remembered, however, that unleaded gasoline was not a marketing factor until 1978 when it was mandated by the federal government as a replacement for leaded gasoline. Today that turnover process is virtually completed with leaded gasoline sales down to about 5% of total consumption.

Retail Gasoline Prices: A Half-Century of Changes

	Leaded Regular	Unleaded Regular
1990	$1.150	$1.170
1989	0.997	1.022
1988	0.900	0.946
1987	0.897	0.948
1986	0.857	0.927
1985	1.115	1.203
1984	1.129	1.212
1983	1.157	1.241
1982	1.222	1.296
1981	1.311	1.378
1980	1.191	1.245
1975	0.572	*
1972	0.361	*
1970	0.356	*
1960	0.311	*
1950	0.267	*
1940	0.184	*

* Unleaded not in marketplaces.

Source: American Petroleum Institute, Petroleum Basic Data Book, 1990.

20-Year Overview: The Way We Are Now, the Way We Were Then

	Total Outlets (Add 000)			Gasoline Gallonage (Add 000,000)		
	1991(a)	1987(b)	1972(c)	1989(a)	1987(b)	1972(c)
Alabama	6,500	2,229	4,510	2,122	2,084	1,796
Alaska	300	214	241	239	243	112
Arizona	4,010	1,241	2,357	1,755	1,683	1,094
Arkansas	3,764	1,357	3,144	1,274	1,242	1,113
California	13,800	9,812	19,513	13,339	12,543	9,996
Colorado	3,400	1,568	3,170	1,535	1,566	1,296
Connecticut	1,900	1,671	2,798	1,387	1,485	1,309
Delaware	450	279	557	349	338	290
Dist. of Col.	134	115	318	183	181	232
Florida	10,152	5,933	9,199	6,138	5,915	3,899
Georgia	7,000	3,273	6,730	3,573	3,421	2,680
Hawaii	392	355	480	392	385	253
Idaho	1,123	558	1,193	490	462	451
Illinois	10,100	4,655	10,211	4,994	4,772	4,837
Indiana	4,500	2,854	6,235	2,675	2,746	2,741
Iowa	4,169	2,020	2,613	1,410	1,370	1,653
Kansas	3,062	1,576	3,609	1,294	1,266	1,428
Kentucky	2,446	2,058	3,921	1,862	1,855	1,626
Louisiana	6,600	1,934	3,921	2,043	2,063	1,658
Maine	700	673	1,224	628	607	518
Maryland	2,450	1,846	3,012	2,158	2,068	1,775
Massachusetts	2,500	2,738	4,698	2,520	2,492	2,276
Michigan	8,500	4,164	8,919	4,377	4,288	4,537
Minnesota	3,598	2,289	4,585	2,102	2,033	2,061
Mississippi	6,000	1,374	2,727	1,258	1,270	1,203
Missouri	7,200	3,119	6,280	2,758	2,754	2,646
Montana	1,400	548	1,190	444	441	427
Nebraska	3,000	1,163	2,265	801	776	884
Nevada	450	441	798	633	568	366
New Hampshire	1,050	534	888	527	514	391
New Jersey	3,860	3,791	5,768	3,531	3,586	3,170
New Mexico	2,066	696	,831	821	813	647
New York	6,800	5,982	11,359	6,770	6,169	6,027
N. Carolina	10,643	3,547	6,946	3,369	3,318	2,714
North Dakota	1,245	471	910	361	381	423
Ohio	6,205	5,362	11,723	5,024	5,012	4,960
Oklahoma	4,700	1,705	4,153	1,678	1,773	1,516
Oregon	2,165	1,352	2,828	1,366	1,313	1,192
Pennsylvania	6,000	5,192	11,256	4,710	4,590	4,769
Rhode Island	602	487	901	385	397	401
S. Carolina	5,200	1,833	3,720	1,829	1,681	1,398
South Dakota	1,245	556	1,171	398	393	464
Tennessee	6,000	2,491	5,157	2,633	2,755	2,104
Texas	11,000	8,568	17,118	8,749	8,866	6,888
Utah	2,137	849	1,504	751	764	595
Vermont	856	369	596	284	282	243
Virginia	6,000	2,740	4,648	3,043	2,994	2,165
Washington	3,500	2,003	3,945	2,316	2,215	1,648
West Virginia	2,800	1,013	2,156	837	829	735
Wisconsin	5,074	2,735	5,182	2,122	2,047	2,147
Wyoming	1,372	415	772	326	313	279
Total U.S.	210,120	114,748	226,459	115,558	113,930	100,069

(a) This compilation embraces all outlets where gasoline is sold at retail; it includes service stations, convenience stores, car washes, etc.; a universe, in effect, of retail gasoline outlets; the survey was completed in January 1991.
(b) These are the U.S. Bureau of Census figures for 1987 but include only those service stations which have employees and payrolls and generate more than half of their income from gasoline sales. Automatically excluded are convenience stores, car washes, etc.
(c) These are the U.S. Bureau of Census figures for 1972 and are generally considered a "universe count" because only a handful of places, beyond orthodox service stations, sold gasoline at retail at that time.

Sources: NPN state-by-state telephone survey for 1991; U.S. Census Bureau, Censuses of Retail Trade, 1987 and 1972.

stores into gasoline marketing, and by the construction/modernization programs of the majors and big independents alike.

The new counting concept makes up for the inadequacies of the U.S. Census Bureau's *Survey of the Retail Trades*, which is made every five years, and for the fragility of another key U.S. Commerce Dept. report, *Franchising in the U.S. Economy*, which had been used as a basis for providing interim service station totals.

The new approach counts in, instead of ignoring, the tens of thousands of retail units with gasoline service that have been a growing part of the convenience store world since the late '70s. It looks at them as full-fledged members of the gasoline marketing scene, peer equals for service stations.

The problem with the so-called "official" Census Bureau survey is that the collection signals and data bases were changed several times in recent years so the figures were no longer comparable with prior years. For example, in 1972, about the only place that a motorist could buy gasoline was at a "service station." In 1972, the Census Bureau said there were 226,459 of them and this total, in effect, represented the "universe." C-stores were almost meaningless in the gasoline business at that time.

In 1982 and 1987, the Census Bureau eliminated Mom-and-Pop stations and tallied only those which had employees and formal payrolls. They classified as "service stations" only those which generated 50% or more of their income from gasoline sales. In 1987, the Census Bureau came up with a national total of 114,000 service stations, which was sad indeed by comparison with 1972's 226,000. But the figures were not comparable because one was a universe and the other a bobtailed count.

During the late '70s and all through the '80s, the convenience store industry burgeoned by the thousands to the current total of an estimated 80,000, of which two out of three or three out of four (take your pick) have gasoline facilities. This created such a gray area that only generalizations could be used to estimate the retail outlet population. At best, few marketers thought the total for all outlets was more than 200,000, let alone hard on the heels of the all-time high of yesteryear.

NPN's approach was nationwide in scope and, in effect, a repackaging of the numbers so that each state would be responsible for its own statistics. *NPN* staff members contacted every state in the union and the District of Columbia to make sure every voice was heard.

At the outset, it must be realized that many states do not have so-called "official" figures or procedures for isolating,

The Top 10 Across the Board

	Total Outlets in 1991(a)		Winners' Increases '91 v. '72(b)		Losers' Decreases '91 v. '72(c)
California	13,800	N. Carolina	+3,697	Texas	-6,118
Texas	11,000	Mississippi	+3,273	California	-5,713
N.Carolina	10,643	Louisiana	+2,679	Ohio	-5,518
Florida	10,152	Alabama	+1,990	Pennsylvania	-5,256
Illinois	10,100	Arizona	+1,653	New York	-4,559
Michigan	8,500	Iowa	+1,556	Massachusetts	-2,198
Missouri	7,200	S. Carolina	+1,480	New Jersey	-1,908
Georgia	7,000	Virginia	+1,352	Indiana	-1,735
New York	6,800	Florida	+ 953	Kentucky	-1,457
Louisiana	6,600	Missouri	+ 920	Minnesota	- 987

(a) 1991 NPN telephone survey; (b), (c) 1991 NPN telephone survey v. NPN Factbook, 1972 Census Bureau data.

More Top 10's—Gallonage and Brand Names

	Total Gallonage (add 000) 1989(a)		Top Mkt. Shrs. (bil.gal.)(b)
California	13,339	Shell	10.1
Texas	8,749	Chevron	9.6
New York	6,770	Exxon	8.9
Florida	6,138	Texaco	8.6
Ohio	5,425	Mobil	8.5
Illinois	4,994	Amoco	8.4
Pennsylvania	4,710	BP America	6.6
Michigan	4,376	Marathon	5.8
Georgia	3,574	Citgo	5.1
New Jersey	3,531	Sun	5.1

(a) Federal Highway Administration; (b) NPN Factbook 1990.

for counting purposes only, retail gasoline stations from other types of business.

This includes the motor vehicle departments, the licensing departments and the tax divisions in more than half of the states in the country.

As a matter of fact, it's easier to find out the number of underground storage tanks in almost any state than it is to determine the number of service stations above them.

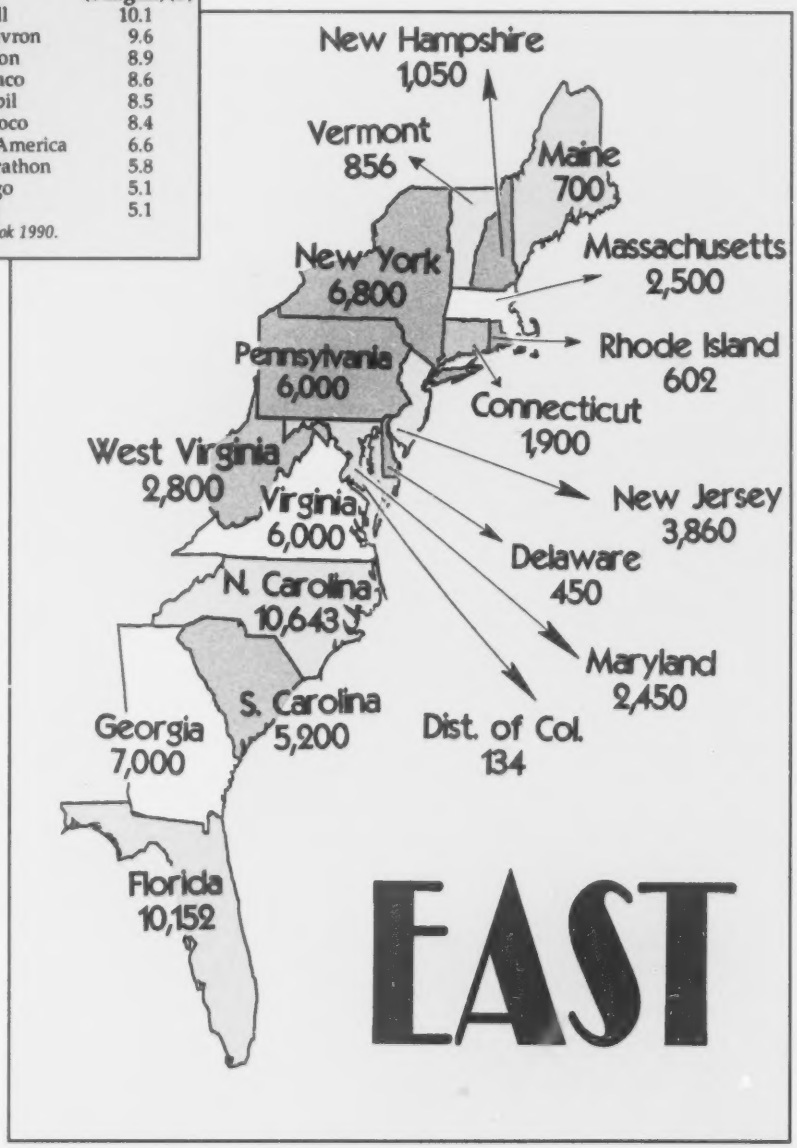
That's because federal law mandated establishment of environmental offices in each state, and the collection of appropriate data, including county-by-county inventories of UST facilities, so that federal and state regulations can be administrated. Since the mandate specified only storage tanks, no one apparently gave a hoot about the number of stations above them.

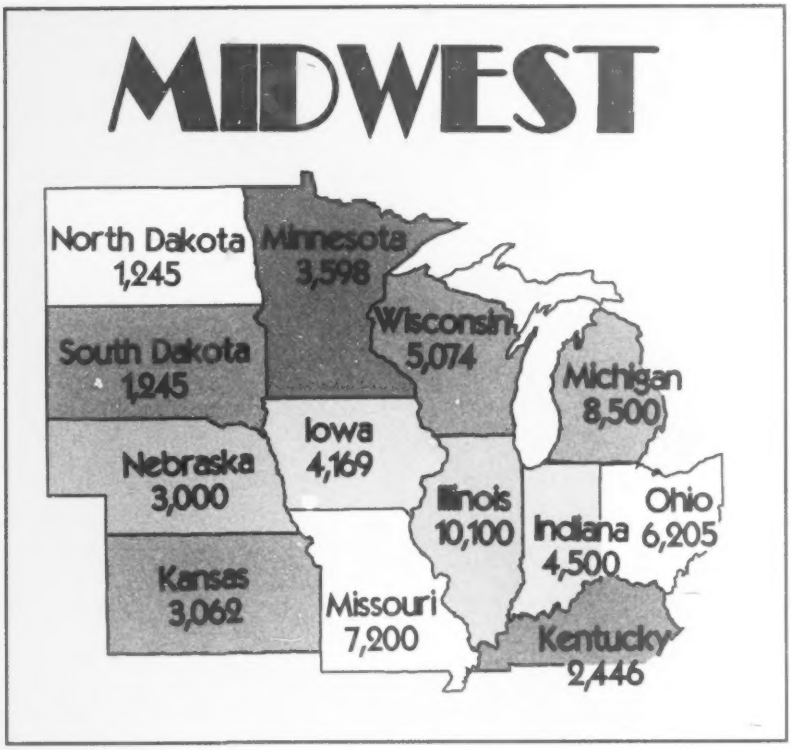
The lack of "official" tallies forced the *NPN* staffers to track down other responsible sources in state administrations who might have reasonable knowledge of the gasoline marketplaces and are in a position to make reliable estimates. These included weights and measures departments which, while not responsible for totals, were responsible for the accuracy of every retail pump in business. Key trade associations were contacted, too, because of their specialized knowledge.

About two-thirds of the numbers gathered by *NPN* are "hard" numbers, i.e., figures based on registration, licensing and tax division compilations. The remaining one-third ranges from "unofficial" estimates and in a couple of cases "guesstimates" based on the best available knowledge.

The totals for about half of the states indicate their gasoline outlet populations today are greater than they were in 1972. That was surprising in its own right because the general assumption had been that all 50 states had declined, that none was better off now than 20 years ago.

Some of the state totals seem exaggerated and out of step with reality. Take North Carolina, for example. It gave its retail outlet population as 10,643, which makes it the third greatest in the nation—bigger than Florida, Illinois and other populous areas that have much higher gasoline consumption totals. But North Carolina has an annual reporting proce-





dure that counts its retail gasoline outlets county by county.

"We have a lot of small ones down here, probably more than any other state," says a state association executive. "They're just about everyplace. I wouldn't be surprised at all at the number of 10,000 gal./mo. and 20,000 gal./mo. outlets we have, the kind you don't often find in most places anymore."

California, with the most outlets in the country, was a real problem child in getting an estimate. In 1972, California had almost 20,000 outlets. Today its Equalization Board can come up with a figure for true service stations, but confesses it has "no idea" how many convenience store types with gasoline there are. Secondary sources were used to get an acceptable (and authoritative) total for California.

A Washington state official says she had been trying for a year to get a retail gasoline station population total for her state by contacting state department officials she thought should know. No one, she says, had anything. Completely frustrated, she's now in the process of making her own count and hopes to have it completed this month or next.

Texas was another state that provided a total for true service stations but said it didn't know how many C-stores sold gasoline, even though most sources in the Lone Star State say it would be easier to count those that don't than those that do.

The importance of convenience stores as gasoline marketers cannot be ignored. Collectively, they sell billions of gallons of gasoline annually, perhaps as much as 20-25% of the national total. Realistically, it's virtually impossible to get specific statistics. There are no state-by-state breakouts on population totals, there are only guesses.

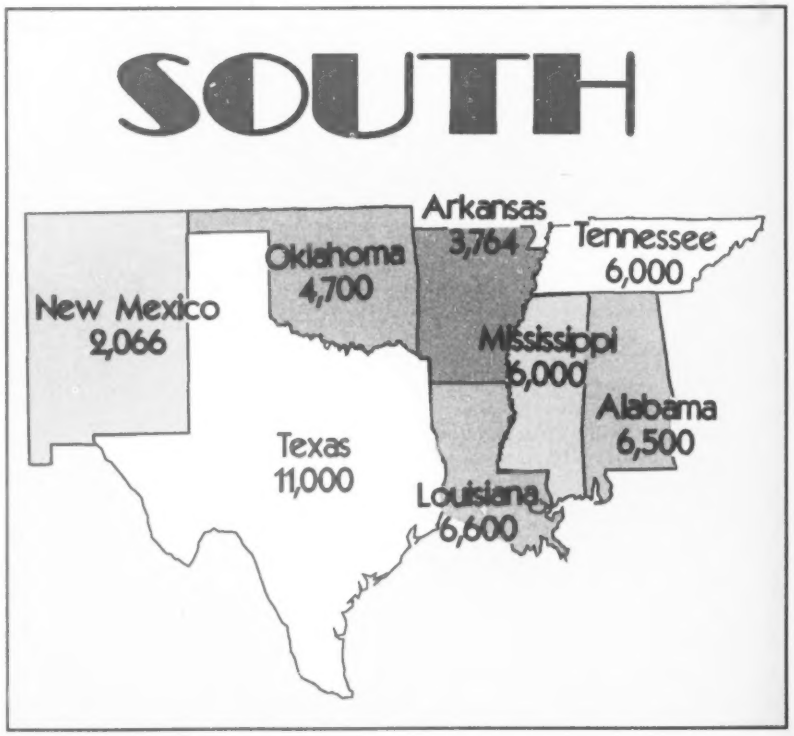
States that have kept up with their retail gasoline outlet populations in recent years include North Carolina, Florida, Iowa, Kansas and Maryland, to name a few.

States that now have more outlets than they did in 1972 include North Carolina, Mississippi, Louisiana, Alabama, Arizona, Iowa, South Carolina, Virginia, Florida and Missouri.

States that have lost ground include Texas, California, Ohio, Pennsylvania, New York, Massachusetts, New Jersey, Indiana, Kentucky and Minnesota. Texas' total is off 6,000, while California, Ohio and Pennsylvania's are down by at least 5,000.

"Somewhere, somehow, the federal government, the state governments or petroleum marketers themselves will have to do something about this," says one state official. "With all the licensing, tax, UST, Stage II and other regulations we have to live with, isn't it ironic we can't even tell you how many business places we have in the individual states and nationally? It's like saying we have a church full of people but no one knows how many parishioners are in the place."

As a service to the industry and to enhance its reputation as a source of factual petroleum marketing data, *NPN* plans to update its state-by-state scoreboard in 1992 and in subsequent years. Inasmuch as some states are already moving in the direction of better counting procedures, it may be assumed that the *NPN* count will become more accurate with each passing year. NPN



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